

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
High-Cost Universal Service Support)	WC Docket No. 05-337

**JOINT REPLY COMMENTS OF
DOCOMO PACIFIC, INC. AND IT&E**

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August 11, 2010

SUMMARY

The challenges faced by residents and businesses in insular areas are far different than those experienced by residents and businesses in the mainland U.S. Therefore, the insular areas must be treated differently when it comes to USF reform. To that end, the Commission should significantly enhance universal service high-cost support to insular areas, including Guam and the CNMI, by providing an exemption for wireless carriers serving these areas that restores high-cost support to pre-March 2008 CETC interim cap levels until such time that there is reliable evidence that the telecommunications services available in insular areas – both voice and broadband – is comparable to the services available on the U.S. mainland.

The Commission has recognized several times over the last decade that telephone subscriber levels in insular areas are generally lower than the national average, because of income disparity and the unique challenges these areas face by virtue of their distance from the U.S. mainland, and has even acknowledged that it could be doing more to make service affordable. Nevertheless, the Commission has abstained from adopting any specific measures to abate the discrepancies in availability and affordability of telecommunications service in insular areas and, thus far, has excluded insular areas from receiving additional universal service support.

The insular areas all face unique geographic, topographic, climatic and economic conditions that result in a significantly higher cost of providing telecommunications services. Guam and the CNMI, for example, are located approximately 6,000 miles from the U.S. mainland and portions of the CNMI and Guam are mountainous. As a result, transport costs are much greater for businesses in the CNMI and Guam (like other insular

areas) because all the supplies necessary for creating and maintaining a telecommunications infrastructure must be shipped, stored and provided at an added expense. The islands are also routinely subjected to natural disasters.

The CNMI is in the grip of a severe economic depression that began in 2005 and is far more damaging than the recession that has plagued the mainland U.S. The U.S. Department of Commerce's Bureau of Economic Analysis recently released estimates of total Gross Domestic Product ("GDP") for the CNMI which showed that from 2002 to 2007, real GDP (*i.e.*, GDP adjusted to remove price changes), *decreased* at an average annual rate of 4.2 percent. By way of comparison, the average annual growth rate for the United States (excluding the Territories) was 2.8 percent over this period. The notable decreases in real GDP from 2005 to 2007 were largely driven by decreases in garment exports (reflecting a severe contraction of the garment manufacturing industry) and tourist expenditures by non-residents. In addition, projected local revenues in the CNMI for fiscal year 2010 represented a decline of about 35 percent over the prior four years. One study has shown that, due to the failure of the garment industry and the continuing decline of the tourist trade, the CNMI risks losing approximately 44 percent of its GDP, 60 percent of its jobs, and 45 percent of its real personal income by 2015.

The estimates for Guam showed that from 2002 to 2007, real GDP grew at an average annual rate of 1.8 percent – certainly far better than the decline in real GDP growth seen in the CNMI, but still far below the average annual growth rate for the U.S. (excluding the Territories) of 2.8 percent for the same period. It is estimated that 23% of the population on Guam lives below the national poverty level. Guam has a median income of \$40,373, which is lower than all but three other states in the U.S. mainland and \$12,300 less than the 2007 national average of \$52,673.

Business costs in the CNMI and Guam are significantly higher than on the U.S. mainland. The data submitted in this proceeding make clear that the cost of doing business in insular areas is significantly higher than businesses experience in the U.S. mainland. Internal data demonstrates that capital expenditure data per subscriber is more than double the capital expenditures incurred by the nation's two dominant providers, Verizon Wireless and AT&T.

The Commission should provide an exemption for wireless carriers serving insular areas so that high-cost support can be restored in the Territories to pre-March 2008 CETC cap levels. A decision by the Commission that ensures that ETCs serving the CNMI and Guam will be restored to pre-March 2008 CETC cap levels will provide a significant boost in efforts to bolster each territory's economy.

A cornerstone of the federal government's effort to reverse the economic course in the CNMI and Guam should be to ensure that those entities capable of bringing enhanced voice and broadband services to the Territories have the requisite capital – in large part provided by USF support – to do so. Access to enhanced voice and broadband services will provide significantly improved access to data services to consumers residing in these notoriously underserved islands and will serve as an immediate source of employment.

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JOINT REPLY COMMENTS OF DOCOMO PACIFIC, INC. AND IT&E

Docomo Pacific, Inc. (“DPAC”) and IT&E (collectively, the “Companies”), hereby submit these joint reply comments on reforming the Universal Service Fund (“USF”) in the Commonwealth of Northern Mariana Islands (“CNMI”), Guam and other insular areas (collectively, the “Territories”), pursuant to the Commission’s Notice of Inquiry and Notice of Proposed Rulemaking in the above-captioned proceeding.¹ The Companies are supportive of the general principles outlined in the National Broadband Plan, which establishes the Commission’s goals for making broadband services more accessible for people living in insular, high-cost areas, and for low-income populations.² The Companies also appreciate the Commission’s willingness to consider the unique circumstances that exist in the insular areas and that necessitate a different approach to reforming the Fund, particularly as such reform efforts affect the Territories.³

¹ *Connect America Fund, A National Broadband Plan for Our Future, High-Cost Universal Service Support*, Notice of Inquiry and Notice of Proposed Rulemaking, 2010 WL 1638319, WC Docket No. 10-90, GN Docket No. 09-51, WC Docket No. 05-337, FCC 10-58 (rel. Apr. 21, 2010) (“*NOI and NPRM*”).

² Omnibus Broadband Initiative, FCC, Connecting America: The National Broadband Plan (Mar. 16, 2010).

³ *NOI and NPRM*, at ¶¶ 13, 50 (“We request comment on whether there are any unique circumstances in insular areas that would necessitate a different approach.”).

The challenges faced by residents and businesses in insular areas are far different than those experienced by residents and business in the mainland U.S. Therefore, the insular areas must be treated differently when it comes to USF reform. To that end, the Commission should significantly enhance universal service high-cost support to insular areas, including Guam and the CNMI, by providing an exemption for wireless carriers serving these areas that restores high-cost support to pre-March 2008 CETC interim cap levels until such time that there is reliable evidence that the telecommunications services available in insular areas – both voice and broadband – is comparable to the services available on the U.S. mainland.

I. BACKGROUND.

Section 254(b)(3) of the Communications Act (the “Act”) makes it clear that all consumers, including those in insular areas, should have access to telecommunications and information services that are reasonably comparable to the services provided in urban areas and at reasonably comparable rates. Chairman Rockefeller recently reminded Chairman Genachowski of Congress’ original intention (as well as his personal one) in enacting Section 254 of the Act in this regard, stating:

I believe that the residents of [r]ural communities need to know that they have the same access to quality communications as those in more urban areas. This is not just my opinion. As you know, it’s the law... The truth is, on this charge, the current system has missed the mark... The stark fact is that the present universal service system has failed to provide the kind of ubiquitous service that the law requires... Everyone in this country, no matter who they are or where they live, deserves access to modern communications services, including broadband and wireless services.”⁴

⁴ See Letter from Senator John D. Rockefeller IV, Chairman, Committee on Commerce, Science and Transportation, to The Honorable Julius Genachowski, Chairman, Federal Communications Commission (dated Aug. 2, 2010); *see also* Letter from Julius Genachowski, Chairman, FCC, to The Honorable Pedro R. Pierluisi (dated July 21, 2010) (“I am committed to accomplishing comprehensive reform of universal

DPAC and IT&E agree with Senator Rockefeller and other commenters in this proceeding that the Commission has, thus far, failed to take steps necessary to fulfill Congress' directive as it applies to insular areas.⁵ The Commission has recognized several times over the last decade that telephone subscriber levels in insular areas are generally lower than the national average, because of "income disparity and the unique challenges these areas face by virtue of their locations," and has even acknowledged that it could be doing more to make service affordable.⁶ Nevertheless, the Commission has abstained from adopting any specific measures to abate the discrepancies in availability and affordability of telecommunications service in insular areas and, thus far, has excluded insular areas from receiving additional universal service support.

The Commission has a long history of establishing rules and policies for the insular areas and other outlying jurisdictions that are different from the rules and policies implemented for the U.S. mainland. For example, the Commission planned to exempt Alaska, Hawaii and U.S. Territories and possessions from its earlier USF reform proposals.⁷

service – as recommended in the National Broadband Plan – to provide a more efficient and effective vehicle for addressing service issues in insular and high-cost areas like Puerto Rico.”).

⁵ See e.g., Puerto Rico Telephone Company Comments at 4.

⁶ See *Federal-State Joint Board on Universal Service*, Report and Order, 12 FCC Rcd. 8776, ¶ 112 (1997); see also *Federal-State Joint Board on Universal Service: Promoting Deployment and Subscribership in Unserved and Underserved Areas, Including Tribal and Insular Areas*, Further Notice of Proposed Rulemaking, CC Docket No. 96-45, 14 FCC Rcd. 21177, ¶ 5 (1999); and *Federal-State Joint Board on Universal Service, High-Cost Universal Service Support*, CC Docket No. 96-45, WC Docket No. 05-337, Notice of Proposed Rulemaking, 20 FCC Rcd. 19731, ¶ 33 (2005).

⁷ See *In the Matter of High-Cost Universal Service Support*, Order on Remand and Order and Further Notice of Proposed Rulemaking, 24 FCC Rcd. 6475, 6505, 6582, FCC 08-262 (rel. Nov., 5, 2008) (“November 2008 USF Order”). (“The requirements that we adopt for disbursement of high-cost universal service support do not apply to providers operating in Alaska, Hawaii or any U.S. Territories and possessions. We find these areas have very different attributes and related cost issues than do the continental states. For this reason, we are exempting providers in Alaska, Hawaii and U.S. Territories or

DPAC and IT&E support the general proposition advanced by multiple parties that insular areas, including Guam and the CNMI, must again be treated differently by the Commission when it comes to implementing USF reform due to the extraordinary obstacles that residents and businesses who consider the Territories “home” must overcome.

II. DISCUSSION.

A. The Unique Challenges Faced by Carriers Serving Insular Areas Necessitate an Alternative USF High-Cost Reform Approach.

1. Geographic and Natural Obstacles.

The insular areas all face unique topographic and climatic conditions, as well as extreme distances from the U.S. mainland, that result in a significantly higher cost of providing telecommunications services.⁸ Guam and the CNMI, for example, are located approximately 6,000 miles from the U.S. mainland and portions of the CNMI and Guam are mountainous. As a result, transport costs are much greater for businesses in the CNMI and Guam (like other insular areas) because all the supplies necessary for creating

possessions from the high-cost support requirements and rules adopted herein, and we will address them in a subsequent proceeding.... The requirements that we adopt for intercarrier compensation do not apply to providers operating in Alaska, Hawaii, or any U.S. Territories and possessions. We find that these areas have very different attributes and related cost issues than the continental states. For this reason, we are exempting providers in Alaska, Hawaii and U.S. Territories and possessions from the requirements and rules adopted herein, and we will address them in a subsequent proceeding.”).

⁸ See e.g., VI PSC Comments at 3 (“The physical environment of the Virgin Islands presents unique challenges to service providers. Much of the Territory is mountainous with deep valleys. Radio transmission to these valleys is limited except where there are towers nearby. With a tropical climate, corrosion of telecommunications infrastructure is particularly problematic. Further, our telecommunications infrastructure is subject to damage by hurricanes or tropical storms.”); see also Comments of GTA at 4 (“GTA’s network was built to last, using buried plant able to withstand severe weather conditions such as typhoons and still be able to provide communications services through the most exigent circumstances.”); BlueSky, Choice and PR Wireless Joint Comments, at ii (“... the geographic isolation, difficult terrain and severe tropical weather result in extraordinary high telecommunications infrastructure construction and maintenance costs.”).

and maintaining a telecommunications infrastructure must be shipped, stored and provided at an added expense.

Guam is located in what has been nicknamed “Typhoon Alley” and it is common for the island to be threatened by tropical storms and possible typhoons during the wet season. The most intense typhoon to pass over Guam recently was Super Typhoon Pongsona, with sustained winds of 144 miles per hour, gusts to 173 miles per hour, which slammed Guam on December 8, 2002, leaving massive destruction.⁹ Super Typhoon Pongsona also caused heavy damage in the CNMI. Guam, like the other insular areas, is also prone to significant and catastrophic earthquake activity. In recent years, earthquakes with epicenters near Guam and the CNMI have had magnitudes ranging from 5.0 to 8.7 on the Richter scale.

2. Economic Challenges Plague Both the CNMI and Guam.

a. CNMI.

The CNMI is in the grip of a severe economic depression that began in 2005 and is far more damaging than the recession that has plagued the mainland U.S.¹⁰ The U.S. Department of Commerce’s Bureau of Economic Analysis (“BEA”) recently released estimates of total Gross Domestic Product (“GDP”) for the CNMI which showed that from 2002 to 2007, real GDP (*i.e.*, GDP adjusted to remove price changes), *decreased* at

⁹ See GTA Comments, WC Docket No. 03-109, at 1 (“It is not uncommon for construction costs for basic telephone service in Guam to run over \$1,000 per customer because of the need to bury infrastructure to insure that telephone service remains available during and after typhoons.”).

¹⁰ Statement of Benigno R. Fitial, Governor of the Commonwealth of the Northern Mariana Islands, Before the House Subcommittee on Insular Affairs, Oceans and Wildlife (May 19, 2009), at 9 (“2009 Fitial Testimony”)

an average annual rate of 4.2 percent.¹¹ By way of comparison, the average annual growth rate for the United States (excluding the Territories) was 2.8 percent over this period.¹² The notable decreases in real GDP from 2005 to 2007 were largely driven by decreases in garment exports (reflecting a severe contraction of the garment manufacturing industry) and tourist expenditures by non-residents.¹³

In addition, projected local revenues in the CNMI for fiscal year 2010 represented a decline of about 35 percent over the prior four years. This decline was fueled, in part, by the significant reduction in the CNMI population from 2002 to 2007. The population of the CNMI decreased rapidly as foreign workers left the territory, and as a consequence, real GDP per capita increased at an average annual rate of 0.5 percent.¹⁴

In his recent testimony to the House Subcommittee on Insular Affairs, Oceans and Wildlife, CNMI Governor Benigno Fitial stated that “...our people continue to suffer and that no signs of economic recovery are apparent after five years.”¹⁵ The effects of these economic conditions have included a public utility crisis, which was narrowly averted, as well as the nearly complete collapse of the economies of Tinian and Rota, two of the Commonwealth’s smaller islands. One study has shown that, due to the failure of the

¹¹ *The Bureau of Economic Analysis (BEA) Releases Estimates of the Major Components of Gross Domestic Product for the Commonwealth of the Northern Mariana Islands*, BEA News Release, BEA 10-24 (rel. June 7, 2010) (available at http://www.bea.gov/newsreleases/general/terr/2010/cnmi_060710.htm), at 1 (“*BEA CNMI GDP Estimates News Release*”). Since 2002, a number of economic shocks have contributed to a decline in tourism, including the SARS epidemic and the suspension of flights from Tokyo by Japan Airlines. *Id.*

¹² *Id.*

¹³ *Id.*

¹⁴ *Id.* at 3.

¹⁵ Statement of Governor Benigno R. Fitial, Commonwealth of the Northern Mariana Islands, Before the House Subcommittee on Insular Affairs, Oceans and Wildlife (May 18, 2010), at 2.

garment industry and the continuing decline of the tourist trade, the CNMI risks losing approximately 44 percent of its GDP, 60 percent of its jobs, and 45 percent of its real personal income by 2015.¹⁶

The median household income in the CNMI in 2004 was \$17,138, far lower than any other U.S. state and approximately \$27,500 less than the national average (excluding the Territories) of \$44,684.¹⁷ The lowest median income state, West Virginia, had a median household income in 2004 of \$31,504.¹⁸ Frankly, it would be difficult to imagine a state or territory more in need of enhanced USF support than the CNMI.

b. Guam.

On May 5, 2010, the BEA also released estimates of total GDP for Guam.¹⁹ The estimates for Guam showed that from 2002 to 2007, real GDP grew at an average annual rate of 1.8 percent – certainly far better than the decline in real GDP growth seen in the CNMI, but still far below the average annual growth rate for the U.S. (excluding the

¹⁶ *Economic Impact of Federal Laws on the Commonwealth of the Northern Mariana Islands*, prepared for the Office of the Governor of the Commonwealth of the Northern Mariana Islands by Malcolm D. McPhee & Associates and Dick Conway (Oct. 2008) (available at <http://www.box.net/shared/static/v8neshhjlp.pdf>), at ix. This prediction was essentially confirmed by the March 2009 report on the CNMI economy by the First Hawaiian Bank. See First Hawaiian Bank, *Economic Forecast for Guam and the Commonwealth of the Northern Mariana Islands* (March 2009) (referred to in 2009 Fitial Testimony, at 10).

¹⁷ *Income, Earnings and Poverty from the 2004 American Community Survey*, U.S. Census Bureau (2005).

¹⁸ *Id.* at 2.

¹⁹ *The Bureau of Economic Analysis (BEA) Releases Estimates of the Major Components of Gross Domestic Product for Guam*, BEA News Release, BEA 10-27 (rel. June 14, 2010) (available at http://www.bea.gov/newsreleases/general/terr/2010/guam_061310.htm), at 1 (“*BEA Guam GDP Estimates News Release*”). Guam is geographically remote from any major population center and its population base is smaller than any U.S. state and would rank 126 among U.S. mainland cities. See *Guam and CNMI Military Relocation*, Final Environmental Impact Statement, published by the U.S. Navy (July 2010) at 16-18 (accessible at http://www.guambuildupeis.us/documents/final/volume_2/Vol_02_Ch16_Socioeconomics_and_General_Services.pdf) (“*U.S. Navy EIS*”).

Territories) of 2.8 percent for the same period.²⁰ Year-to-year fluctuations in economic growth reflected changes in construction activity and in tourism. However, Guam's economy was significantly affected by a number of economic shocks over this period, including Typhoon Pongsona, the SARS epidemic, the outbreak of avian flu, and the financial downturn in Asia.²¹

The programmed U.S. military buildup that will take place over the next five years will cause an unprecedented population increase (approximately 40% or nearly 80,000 people at the peak of construction) which will significantly impact Guam's very limited and aging infrastructure²² – another critical reason to ensure that Guam is not negatively impacted by any USF reform initiatives being considered by the Commission. The anticipated increase in population increase in Guam would normally be projected to take more than 20 years to occur.²³

It is estimated that 23% of the population on Guam lives below the national poverty level. Guam has a median income of \$40,373,²⁴ which is lower than all but three other states in the U.S. mainland and \$12,300 less than the 2007 national average of \$52,673.²⁵ From 2000 to 2008, consumer prices on Guam increased by 47.3 percent. When adjusted for this price change, the median salary on Guam decreased by 30 percent

²⁰ *Id.*

²¹ *Id.* at 3.

²² *EIS: 79,718 new people on island by 2014*, by Erin Thompson, Pacific Daily News (published Nov. 21, 2009).

²³ *Id.*

²⁴ 2008 Guam Statistical Yearbook Bureau of Statistics and Plans from the Bureau of Planning Government of Guam.

²⁵ *See* Median Household Income for States: 2007 and 2008 American Community Surveys (Sept. 2009) (accessible at www.census.gov/prod/2009pubs/acsbr08-2.pdf).

on Guam from 2000 to 2008.²⁶ A 30% decline in price adjusted income means that the same person working the same job could purchase 30% fewer goods and services in 2008 than they could have in 2000.

3. Business Costs in the CNMI and Guam Are Significantly Higher Than on the U.S. Mainland.

The data submitted in this proceeding make clear that the cost of doing business in insular areas is significantly higher than businesses experience on the U.S. mainland.²⁷ DPAC's own internal data demonstrates that its capital expenditure data per subscriber is more than double the capital expenditures incurred by the nation's two dominant providers, Verizon Wireless and AT&T. Moreover, as noted earlier, the costs of operating a wireless network in an insular area due to the harsh climates of these environments add significantly to the bottom line costs for carriers serving the Territories.

B. Commission Action in this Proceeding That Results in the Restoration of Pre-CETC Cap Levels of USF Support Will Yield Tremendous Benefits to Residents of the CNMI, Guam and Other Insular Areas.

Approximately two years ago, the Commission adopted temporary measures to cap total annual high-cost universal service support for Competitive Eligible Telecommunications Carriers ("CETCs") at the level of support that they were eligible to

²⁶ See *U.S. Navy EIS* at 16-11.

²⁷ See *e.g.*, Puerto Rico Telephone Company Comments at 12 ("[Puerto Rico Telephone Company] faces significantly higher operational costs compared to other carriers its size, such as [] higher shipping costs... higher operational costs associated with the topography [and climate] of Puerto Rico..."); see also GTA Comments at 2 ("GTA encounters much higher costs of goods and lead times for equipment and relies quite heavily on overseas shipping.").

receive in each state and territory during March 2008.²⁸ The CETC Cap has harmed, and continues to harm, consumers in insular areas by unduly interfering with the ability of wireless CETCs to deploy infrastructure and deliver voice and broadband service. Accordingly, DPAC and IT&E endorse the joint proposal put forward by AST Telecom, LLC d/b/a BlueSky Communications (“BlueSky”), Choice Communications, LLC (“Choice”) and PR Wireless that the Commission provide an exemption for wireless carriers serving insular areas so that high-cost support can be restored in the Territories to pre-March 2008 CETC cap levels.²⁹

A decision by the Commission that ensures that ETCs serving the CNMI and Guam will be restored to pre-March 2008 CETC cap levels will provide a significant boost in efforts to bolster each Territory’s economy. DPAC and IT&E agree with BlueSky, Choice and PR Wireless that “...[t]he CETC cap represents an anomalous and unproductive contraction of federal support at a time when the health of the Territories urgently needs the stimulus that can be provided by an expansion of critical infrastructure in insular areas.”³⁰

A cornerstone of the federal government’s effort to reverse the economic course in the CNMI and Guam should be to ensure that those entities capable of bringing

²⁸ See *High Cost Universal Support, Federal-State Joint Board on Universal Service*, WC Docket 05-337, CC Docket 95-46, 20 FCC Rcd. 8834, ¶ 1(2008) (“*CETC Interim Cap Order*”).

²⁹ BlueSky, Choice and PR Wireless Joint Comments at 14-15. In the *CETC Interim Cap Order*, the Commission carved out an exemption for CETCs that serve tribal lands using a much more limited basis. See *High Cost Universal Support, Federal-State Joint Board on Universal Service*, WC Docket No. 05-337, CC Docket No. 96-45, 20 FCC Rcd. 8834, ¶ 32. Specifically, the Commission relied on the fact that tribal lands continue to have low penetration rates for basic telephone service, which therefore meant that wireless and wireline services were not necessarily complimentary. There are significant unique circumstances in insular areas regarding the high-cost of telecommunications infrastructure, the dire economies and low-income population that merit a similar exemption for the Territories.

³⁰ BlueSky, Choice and PR Wireless Joint Comments at 15. DPAC and IT&E also support the recommendation by the Puerto Rico Telephone Company for the FCC to establish an expedited pilot program to get financial support to the insular areas. See Puerto Rico Telephone Company Comments at 3, 7-15.

enhanced voice and broadband services to the Territories have the requisite capital – in large part provided by USF support – to do so. Access to enhanced voice and broadband services will provide significantly improved access to data services to consumers residing in these notoriously underserved islands and will serve as an immediate source of employment. The harm that the CETC cap is causing to insular areas will continue to get worse as long as it remains in place.

The inability of many CNMI- and Guam-based businesses to quickly access content-rich websites or send and receive large data files due to the limited broadband speeds in the Territories is inexcusable. Small businesses in the CNMI and Guam must be able to capitalize on the availability of affordable high-speed broadband in order to establish and expand new products and services for online sales and other e-commerce opportunities. Improved broadband service in the CNMI and Guam will also enhance the services and operations of each Territory’s health care system, educational institutions and public safety organizations, including police, fire and emergency services, as well as prospects for each Territory’s tourism industry.

Each commenter with specific interests in one or more Territories explained the unique challenges inherent in serving the insular areas and spoke in unison in advocating that USF support should not be reduced in the insular areas. GTA Telecom, LLC (“GTA”) contended that “[t]he FCC should... ensure that the current High-Cost funding levels are maintained throughout the development and implementation of mechanisms for transitioning the funds to more directly support broadband.”³¹ Similarly, The Public

³¹ GTA Comments at 4 (noting that, in 2009, USF revenues accounted for 18% of GTA’s overall regulated revenues and that GTA has plans to invest \$20-24 million in further upgrades over the next five years, but

Services Commission of the U.S. Virgin Islands (“VI PSC”) stated that it is “...greatly concerned that the approach that the FCC has chosen will undermine efforts by the VI PSC and the carriers in the Territory to bring about greater access to infrastructure capable of both broadband and voice grade service... Decreasing the available funding even further will make matter worse if the proposed transition away from high-cost support is implemented.”³² The Puerto Rico Telephone Company added that “[a]ny change in universal service funding in Puerto Rico could have devastating consequences given the fragility of the island’s economic situation, the lack of broadband deployment, and the low telephone and broadband subscription rates when compared to the rest of the country.”³³ BlueSky, Choice and PR Wireless stated, in part, that the Commission should significantly enhance high-cost support until such time as the services and choices in insular areas is comparable to those on the U.S. mainland.³⁴ In short, the geographic and economic challenges in the Territories are far different and greater than those faced by residents and businesses in the U.S. mainland, and more akin to the geographic and economic challenges faced by residents and businesses of Tribal Lands.

that any reduction in the amount of High-Cost USF would be harmful to consumers because GTA would have to raise rates to preserve cash flows). *Id.* at 4-5.

³² VI PSC Comments at 1-2.

³³ Puerto Rico Telephone Company Comments at 15.

³⁴ BlueSky, Choice and PR Wireless Joint Comments at ii, 2.

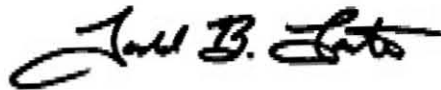
III. CONCLUSION.

DPAC and IT&E are pleased to see that the Commission is willing to reexamine whether “unique circumstances” exist in the insular areas to the extent that the circumstances merit a different USF reform approach. The Companies are confident that, with a thorough analysis of the data presented by participants in this proceeding with territorial interests, in accordance with the Section 254 of the Act, the Commission will find that an alternative regulatory approach is needed for the nation’s insular areas.

Both the CNMI and Guam need robust telecommunications networks capable of both voice grade and broadband services. Quite simply, these services are critical to a future of economic vitality for both territories. DPAC and IT&E hope that the Commission uses this opportunity to carve out an exemption for wireless CETCs serving insular areas to receive pre-March 2008 levels of high-cost universal service support to support the continued provision of voice and broadband services through Guam and the CNMI. Without this increased level of support, neither territory is likely to ever realize the same level of access to voice and broadband service that is available in urban areas.

Respectfully submitted,

DOCOMO PACIFIC, INC. AND IT&E

A handwritten signature in black ink, appearing to read "Todd B. Lantor". The signature is fluid and cursive, with the first name "Todd" being more prominent.

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